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AUTHOR	Carino, Mariano
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ABSTRACT

This Quinmester course provides students with an understanding of the financial activities of partnerships, division of income or loss, fiscal period reports, and Federal income tax. Also contained in the document are a list of the performance objectives, a course content outline, the evaluative instruments used, and suggested resources for students and teachers. Appended is a 22-page appendix of Quinmester test items. (Author/BP)

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AUTHORIZED COURSE OF INSTRUCTION FOR THE QUINMESTER PROGRAM

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PARTNERSHIP ACCOUNTING

Business Education--7709.11 (New: 7624.11)

DADE COUNTY PUBLIC SCHOOLS

DIVISION OF INSTRUCTION•1971

PARTNERSHIP ACCOUNTING

7709.11 (New: 7624.11)

Business Education

Written by Mariano Carino
And Approved by the Business Education Steering Committee
For Quinmester Courses

for the

DIVISION OF INSTRUCTION
Dade County Public Schools
Miami, FL 33132
1973

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I. COURSE TITLE--PARTNERSHIP ACCOUNTING

II. COURSE NUMBER--7709.11 (New: 7624.11)

III. COURSE DESCRIPTION

A. Synopsis
Provides students with an understanding of the financial activities of partnerships, division of income or loss, fiscal period reports, and federal income tax.

B. Occupational Relationships

Accounting Clerk	Accounts Payable Bookkeeper
Voucher Clerk	Accounts Payable Clerk
Bookkeeper I	Accounts Receivable Balancing Clerk
Bookkeeper II	Accounts Receivable Bookkeeper
Fixed-Capital Clerk	Accounts Receivable Clerk
Medical-Voucher Clerk	General Ledger Bookkeeper
Insurance Clerk	Accounts-Classification Clerk
Audit Clerk	Invoice-Classification Clerk
Billing Control Clerk	Cash-Sales-Audit Clerk

IV. COURSE ENROLLMENT GUIDES

A. Prior Experiences Needed
The student should have attained the objectives of Special Bookkeeping Applications prior to enrollment in this course.

B. Pretest
Successful completion of the pretest indicates that the student should proceed to another advanced bookkeeping and accounting course. Partial failure indicates placement within this course.

V. COURSE OF STUDY PERFORMANCE OBJECTIVES

Upon successful completion of this course, the student will be able to--

1. set up the accounting books for a partnership;

2. compare orally or in writing the advantages and disadvantages of a partnership to a single proprietorship;

3. demonstrate an understanding of the importance of the articles of copartnership by explaining orally or writing the necessity of each of ten articles;

4. record the admission of a partner or partners in the proper journals;

5. distribute the net income or loss of a partnership according to the articles of copartnership;

6. prepare the financial statements for a partnership; and

7. prepare the adjusting and closing entries for a partnership in the proper journal.

VI. COURSE CONTENT

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A. Equipment and Supplies
   1. Basic
      a. Desk 20" x 40" minimum, table top
      b. Machines
         (1) Ten-key adding machine
         (2) Full keyboard adding machine
         (3) Printing or electronic calculator
      c. Accounting paper--assorted
      d. Textbook
      e. Workbook
      f. Straight edge (supplied by student)
      g. Chair with book rack
      h. Practice sets
      i. Overhead projector with roller attachment and screen
   2. Supplementary
      a. Wall bookkeeping charts
      b. Transparencies
      c. Videotape recorder or playback unit
      d. Videotape recorder table with electrical connectings
      e. Video monitor, 23" with connecting cables
      f. Listening station, with 8 head sets
      g. Videotaped lessons of Bookkeeping I (review)
      h. Learning activities packages--Bookkeeping I (review)

B. Formation of a partnership
   1. Nature and characteristics
      a. Personal relationship
      b. Combined capital
      c. Combined abilities
   2. Advantages and disadvantages
      a. Advantages
         (1) Additional capital
         (2) Additional credit
         (3) Additional abilities
         (4) Combined decision making
      b. Disadvantages
         (1) Unlimited liability
         (2) Sharing of profit
         (3) Mutual agency
         (4) Dissolution of a partnership
         (5) Friction between partners
   3. Articles of Copartnership
      a. Duties of each partner
      b. Rights of each partner
   4. Admission of a partner
      a. No increase in proprietorship
      b. By investment
      c. Interest greater than his investment
      d. Allowance for goodwill to other partners
   5. Dissolving of a partnership
      a. Termination of articles of copartnership
      b. Withdrawal of a partner

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VI. COURSE CONTENT, Continued

c. Mutual consent
d. Death

6. Process of liquidation
   a. Assets sold for cash
   b. Liabilities of the business satisfied
   c. Distribution of the remaining cash to the partners

C. Distribution of partnership net income or loss
   1. Division of net income or loss
      a. Fixed ratio
      b. Investment
      c. Interest on investment
      d. Salaries allowed to partners
      e. Combination of any of the above
   2. Distribution of net income statement
      a. Importance
      b. Preparation
      c. Source of the closing entries

D. Federal Taxes
   1. Federal income tax
      a. Method of computation
      b. Personal expense (self-employed person)
   2. FICA tax
      a. Self-employed person
      b. Declaration of the amount owed
      c. Personal expense (self-employed person)

E. Practice Set
   1. Work during fiscal period
      a. Recording original entries
         (1) Purchases journal
         (2) Cash payments journal
         (3) Sales journal
         (4) Cash receipts journal
         (5) General journal
         (6) Payroll register
      b. Posting to ledgers
         (1) General ledger
         (2) Accounts receivable ledger
         (3) Accounts payable ledger
   2. Work at the end of fiscal period
      a. Complete posting
      b. Prepare supporting schedules
      c. Complete work sheet
         (1) Trial balance
         (2) Adjustments
         (3) Income statement planning
         (4) Balance sheet planning
         (5) Net income (loss)
      d. Prepare statements
         (1) Gross profit
         (2) Income

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VI. COURSE CONTENT, Continued

(3) Distribution of net income
(4) Capital

e. Prepare balance sheet
f. Record and post adjusting and closing entries
g. Prepare post-closing trial balance

VII. COURSE PROCEDURES, STRATEGIES, AND SUGGESTED LEARNING ACTIVITIES

A. Suggested Teaching Methods
The methods that seem best suited for this course are discussions, videotape presentations, individualized instruction, projects, practice sets and problem solving.

B. Business Vocabulary
Students increase their accounting terminology as it relates to a special system of keeping records.

C. Case Study
Students analyze business problems based on their knowledge of accounting principles and managerial theories.

D. Videotaped Lessons--Bookkeeping I
Students are encouraged to view selected taped lessons for reinforcement purposes.

E. Learning Activity Packages--Bookkeeping I
The LAPs parallel videotaped lessons. They provide activities that might strengthen the students' weaknesses.

F. Study Guides
Study guides may be used as a self-evaluating instrument, part of a pretest, quiz, or study sheet.

G. Supervised Study
This time allotment permits the students to work in groups and/or independently under the teacher's supervision. The teacher may also arrange simulation of an accounting department wherein the students are responsible for a particular phase of the accounting system.

H. Problems
Problem solving offers the student an opportunity to put accounting principles into practice. Problems continually test the students and may be used to determine weaknesses.

I. Practice Set
The completion of a paractice set provides a complete review of previous units and gives the student an opportunity to tie together all principles learned.

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VIII. EVALUATIVE INSTRUMENTS

The tests included in the Appendix are examples of the test items that may be used to evaluate student progress. The tests have been designed to evaluate each major item included in the course objectives. The key to each test is also provided. The evaluative items included are as follows:

1. Classification of Accounts	To determine if the student can classify each account in the general ledger.
2. Case Study	To measure the students' ability to make intelligent decisions on partnership policies.
3. Fundamentals of a Partnership	To determine if the student has achieved the basic knowledge of partnership accounting.
4. Recording Transactions	To measure the students knowledge of the various transactions encountered in partnership accounting.
5. Formation of a Partnership	To determine if the student has the ability to set up the accounting books for a partnership.
6. Distribution of Partnership Net Income or Loss	To measure the students' ability to divide the net income or loss of a partnership according to the articles of copartnership.
7. Extensions of a Partnership Work Sheet	To determine if the students are extending the accounts properly for the preparation of the financial statements, adjusting, and closing entries.
8. Preparation of Financial Statements	To determine if the student has the ability to prepare an income statement and balance sheet.

IX. RESOURCES FOR STUDENTS

A. Books

Blanford, James T.; Clow, Cletus A.; Freeman, M. Herbert; Hanna, J. Marshall; Kahn, Gilbert; and MacDonald, Robert D. Gregg Accounting, Advanced Course, 2nd ed. New York: Gregg Division of McGraw-Hill Book Co., 1969.

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IX. RESOURCES FOR STUDENTS, Continued

Boynton, Lewis D.; Carlson, Paul A.; Forkner, Hamden L.; and Swanson, Robert M. 20th Century Bookkeeping and Accounting, Advanced Course, 22nd ed. Cincinnati: South-Western Publishing Company, 1968.

Boynton, Lewis D.; Swanson, Robert M.; Carlson, Paul A. and Forkner, Hamden L. Century 21 Accounting, Advanced Course. Cincinnati: South-Western Publishing Company, 1973.

Freeman, Herbert M.; Hanna, Marshall J.; and Kahn, Gilbert. Bookkeeping and Accounting Simplified, Advanced Course. New York: Gregg Division of McGraw-Hill Book Company, 1958.

B. Workbooks

Accompanying workbooks are available for the texts listed above from the publishers.

C. Media

Learning Activity Packages--Available through Textbook Services, 2210 S. W. Third Street, Miami, Florida 33135. #11A-LP-19--Financial Reports for a Merchandising Business.

Videotaped Presentations--Available from the Department of Media Services, Dade County Public Schools.

D. Practice Sets

Gray, Haines and Irwin Set, B763, Cincinnati: South-Western Publishing Company.

Norton and Page Set, B863, Cincinnati: South-Western Publishing Company.

Wade and Nash, B975, Cincinnati: South-Western Publishing Company.

X. RESOURCES FOR TEACHERS

A. Books

Alston, Wayne A. Successful Devices in Teaching Bookkeeping, Portland, Maine: J. Weston Walch, Pubisher, 1955.

Boynton, L. D. Accounting--Study and Teaching, 2nd ed. Cincinnati: South-Western Publishing Company, 1970.

Fess, Philip E. and Niswonger, C. Rollin. Accounting Principles, 9th ed. Cincinnati: South-Western Publishing Company, 1965.

Finney, H. A. and Miller, H. E. Principles of Financial Accounting--A Conceptual Approach. Englewood Cliffs: Prentice-Hall, 1968.

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X. RESOURCES FOR TEACHERS, Continued

Karrenbrock, Wilbert E. and Simons, Harry. Advanced Accounting, Comprehensive Volume, 3rd ed. Cincinnati: South-Western Publishing Company, 1961.

B. Teacher Manuals and Solution Keys

Available from the publishers of the student texts.

C. Magazines and/or Periodicals

Balance Sheet, The. Cincinnati: South-Western Publishing Company. Monthly, October through May.

Business Education Forum. Washington, D. C.: National Business Education Association. Monthly, October through May.

Business Education World. Hightstown: Gregg Division of McGraw-Hill Book Company. Five publishings each school year.

Journal of Business Education. East Stroudsburg, PA: Robert Trethaway. Monthly, October through May.

National Business Education Quarterly. Washington, D. C.: National Business Education Association. Quarterly.

APPENDIX

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CLASSIFICATION OF ACCOUNTS

Directions: Using the chart of accounts given in Part II, classify each account title listed in Part I by writing its classification number in the answer column.

PART I

ACCOUNT TITLES

		Answers
1.	Supplies Expense	1._____
2.	Accounts Payable	2._____
3.	Allowance for Bad Debts	3._____
4.	Loss of Fixed Assets	4._____
5.	Purchases	5._____
6.	Interest Receivable	6._____
7.	Robert Jason, Capital	7._____
8.	Accumulated Depreciation-Equipment	8._____
9.	Income and Expense Summary	9._____
10.	Office Salary Expense	10._____
11.	Purchases Returns and Allowances	11._____
12.	Sales	12._____
13.	Robert Jason, Drawing	13._____
14.	FICA Taxes Payable	14._____
15.	Sales Returns and Allowances	15._____
16.	Petty Cash	16._____
17.	Gain on Fixed Assets	17._____
18.	Merchandise Inventory	18._____
19.	Interest Payable	19._____
20.	Depreciation Expense-Equipment	20._____

PART II

CHART OF ACCOUNTS

Assets	
11	Current Assets
11.1	Minus Current Assets
12	Fixed Assets
12.1	Minus Fixed Assets
Liabilities	
21	Current Liabilities
22	Long-Term Liabilities
Proprietorship	
31	Proprietorship
Income	
41	Income from Sales
41.1	Minus Income from Sales
Cost of Merchandise	
51	Cost of Merchandise Sold
51.1	Minus Cost of Merchandise Sold
Operating Expenses	
61	Selling Expenses
62	Administrative Expenses
Other Income	
71	Other Income
Other Expenses	
81	Other Expense

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FUNDAMENTALS OF A PARTNERSHIP

Directions: After each statement below, place a check mark in the appropriate answer column. Check the column under T if the statement is true, and the column under F if the statement is false.

		ANSWERS	
		T	F
1.	A partnership must be formed by a written agreement	1.	
2.	A business owned by two or more persons is usually referred to as a partnership.	2.	
3.	The articles of copartnership state the duties and responsibilities of each partner.	3.	
4.	If the articles of copartnership do not state the division of net income or net loss, it is assumed to be distributed equally among the partners.	4.	
5.	Each partner's liability is limited to the amount of his investment.	5.	
6.	A partnership may be dissolved by mutual consent.	6.	
7.	The withdrawal of a partner dissolves the partnership.	7.	
8.	The main difference between partnership accounting and sole proprietorship accounting is the proprietorship accounts.	8.	
9.	The admittance of a new partner requires the approval of all the existing partners.	9.	
10.	The articles of copartnership should not state the length of time that a partnership is to exist.	10.	
11.	The admittance of a new partner dissolves the existence of the old partnership.	11.	
12.	When two businesses merge to form a partnership, the income statement is used to prepare the opening entries for the new partnership.	12.	
13.	When you admit a new partner and there is no increase in the proprietorship, the cash paid by the new partner is shown on the partnership's books.	13.	
14.	Goodwill is an intangible asset.	14.	

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		ANSWERS	
		T	F
15.	The opening entries for a partnership are similar to the opening entries of a sole proprietorship.	15.	
16.	Any change in the membership dissolves a partnership.	16.	
17.	The value of goodwill is definitely fixed only when it is purchased or sold.	17.	
18.	Federal income taxes and FICA taxes are personal expenses of the partners and should appear on the partnership's books.	18.	
19.	The distribution of net income is used in preparing the closing entries of a partnership.	19.	
20.	Each partner is responsible for the debts of the partnership.	20.	
21.	A partnership may be dissolved if one of the partners becomes incapacitied, bankrupt, or dies.	21.	
22.	Generally speaking, it is harder for a partnership to receive credit than a single proprietor.	22.	
23.	When a new partner is admitted, a whole set of new opening entries must be recorded.	23.	
24.	A partner may find himself compelled to give up his personal assets to satisfy the debts of the partnership.	24.	
25.	Partners are considered self-employed persons.	25.	

CASE STUDY

Tyrone Johnson and Bill Rakestraw own and operate two different grocery stores. Mr. Rakestraw believes that by merging the grocery stores, they would be able to cut the cost of operating and realize a better profit. If you were Mr. Johnson, what factors would you consider in the formation of a partnership?

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RECORDING TRANSACTIONS FOR A PARTNERSHIP

WHEN ADMITTING A NEW PARTNER

Directions: Using the current date, record the following transactions in a two column general journal. Use the accounts below in recording these transactions.

Cash	E. L. Smith, Capital	J. R. Jones, Capital
Goodwill	H. A. Edwards, Capital	

General Information: E. L. Smith and J. R. Jones have a total proprietorship of $30,000.

Transaction:

1. E. L. Smith and J. R. Jones are selling part of their interest to a new partner, H. A. Edwards. H. A. Edwards is to receive 1/3 interest for $10,000, without any increase in proprietorship.

2. Assume that the new partner H. A. Edwards is making a $9,000 investment in the business. H. A. Edwards is to receive 1/3 interest in the business. He is going to receive an interest greater than his investment.

3. The new partner H. A. Edwards is going to invest $16,000, and he is to receive 1/3 interest in the business. Because of the excellent conditions of the business he is willing to grant an allowance for goodwill to the other partners.

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FORMATION OF A PARTNERSHIP

On March 1 of the current year, James Reed and Harvey Smith formed a partnership for the purpose of continuing their accounting practice of Mr. Reed. The new partnership is to assume all the assets and liabilities of Mr. Reed's practice. Mr. Smith is going to make a cash investment equal to Mr. Reed's equity.

Mr. Reed's balance sheet on February 28 appears as follows:

James Reed
Balance Sheet
February 28, 19--

Assets

Current Assets:			
Cash		$1,500.00	
Notes Receivables		375.00	
Accounts Receivables	$4,000.00		
Less Allowance for Bad Debts	100.00	3,900.00	
Prepaid Insurance		150.00	
Supplies		50.00	
Total Current Assets			$5,975.00
Fixed Assets:			
Office Equipment		$4,500.00	
Less Accumulated Depreciation-Equipment		500.00	
Total Fixed Assets			4,000.00
Total Assets			$9,975.00

Liabilities

Current Liabilities:		
Notes Payable	$ 480.00	
Accounts Payable	350.00	
Total Current Liabilities		$ 830.00

Proprietorship

James Reed, Capital	9,145.00
Total Liabilities and Proprietorship	$9,975.00

Directions: Using today's date, record the opening entries in the general journal for the partnership.

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DISTRIBUTION OF A PARTNERSHIP

NET INCOME OR NET LOSS

Directions: Record in a general journal the partners' distributions of net income or loss, using the account titles below. Use December 31, of the current year as the date.

Romano, Capital	Daher, Capital	Income and Expense Summary
Davis, Capital	Paige, Capital	
Morin, Capital	Wrye, Capital	
Russell, Capital	Stamps, Capital	

I. Net income or loss based on a fixed ratio

Articles of Copartnership reads as follows: The partnership agreement states that 3/4 of the net income or net loss is to be apportioned to Romano and 1/4 to Davis.

A. Assume the net income for the year is $10,000. Record the closing of the income and expense summary account in the general journal.

B. Assume the net loss for the year is $4,000. Record the closing of the income and expense summary account in the general journal.

II. Net income or loss based on a ratio of investment

Articles of Copartnership reads as follows: Morin and Russell will share the net income or loss according to the ratio of each partner's investment in the business.

Morin had an investment of $5,000, and Russell had an investment of $10,000.

A. Assume the net income is $6,000 for the year. Record the closing of the income and expense summary account in the general journal.

B. Assume the net loss is $1,800 for the year. Record the closing of the income and expense summary account in the general journal.

III. Net income or loss when interest on investment

Articles of Copartnership reads as follows: Daher and Paige will receive interest at the rate of 8% on their investment. The remaining net income or loss will then be divided equally.

Daher has a $20,000, and Paige has a $10,000 investment in the business.

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A. Assume the net income is $10,000 for the year.
Prepare the distribution of net income statement.

Record the closing of the income and expense summary account in the general journal.

B. Assume the net income is $2,000 for the year.
Prepare the distribution of net income statement.

Record the closing of the income and expense summary account in the general journal.

IV. Net income or loss when salaries are allowed

Articles of Copartnership reads as follows: Partners Wrye and Stamps will receive salaries of $550 and $500 respectively for the month. The remaining net income or loss will be divided equally.

A. Assume the net income is $15,000 for the year.
Prepare the distribution of net income statement.

Record the closing entries of the income and expense summary account in the general journal.

B. Assume the net loss is $800 for the year.
Prepare the distribution of net income statement.

Record the closing entries of the income and expense summary account in the general journal.

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EXTENSIONS OF A WORK SHEET FOR A PARTNERSHIP

Directions: After each account title listed below, place a check mark in the column or columns in which the amount would be recorded from the trial balance and/or the adjustments columns of the work sheet.

	ACCOUNT TITLE		Inc. Stmt.		Bal. Sheet	
			Dr.	Cr.	Dr.	Cr.
1.	Allowance for Bad Debts.....	1.				
2.	Equipment.....	2.				
3.	Sales.....	3.				
4.	Supplies.....	4.				
5.	Income and Expense Summary.....	5.				
6.	Depreciation Expense-Equipment.....	6.				
7.	Insurance Expense.....	7.				
8.	FICA Taxes Payable.....	8.				
9.	Accumulated Depreciation-Equipment..	9.				
10.	R. L. Morris, Capital.....	10.				
11.	R. L. Morris, Drawing.....	11.				
12.	Federal Unemployment Taxes Payable..	12.				
13.	Miscellaneous Selling Expense.....	13.				
14.	R. E. Foley, Capital.....	14.				
15.	R. E. Foley, Drawing.....	15.				
16.	Merchandise Inventory.....	16.				
17.	Prepaid Insurance.....	17.				
18.	Property Tax Expense.....	18.				
19.	Property Taxes Payable.....	19.				
20.	Sales Returns and Allowances.....	20.				
21.	Gain on Fixed Assets.....	21.				
22.	Cash.....	22.				
23.	Purchases Returns and Allowances....	23.				
24.	Goodwill.....	24.				
25.	Supplies Expense.....	25.				
26.	Purchases.....	26.				
27.	Purchases Discount.....	27.				
28.	Sales Discount.....	28.				
29.	Loss on Fixed Assets.....	29.				
30.	Accounts Receivable.....	30.				

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PREPARATION OF FINANCIAL STATEMENTS

From the partial completed work sheet of December 31 of the current year you are asked to complete the following directions for the Welsh-Cady partnership.

Directions:

1. Prepare an income statement.
2. Prepare a capital statement. The net income is to be distributed in proportion to the partner's investment as shown in their capital account.
3. Prepare a balance sheet.

Welsh-Cady
Work Sheet
For Year Ended December 31, 19--

	Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.
Cash			14500	
Petty Cash			50	
Accounts Receivable			5000	
Allowance for Bad Debts				900
Merchandise Inventory			20800	
Supplies			50	
Prepaid Insurance			83	
Equipment			2400	
Accumulated Depreciation-Equip.				700
Notes Payable				1000
Accounts Payable				1600
Salaries Payable				80
Employees Income Taxes Payable				120
FICA Taxes Payable				65
State Unemployment Taxes Pay.				24
Federal Unemployment Taxes Pay.				14
T. C. Welsh, Capital				15000
T. C. Welsh, Drawing			360	
R. J. Cady, Capital				10000
R. J. Cady, Drawing			120	
Income and Expense Summary	17000	20800		
Sales		60000		
Sales Returns and Allowances	400			
Purchases	41000			
Purchases Rets. and Allowances		185		
Purchases Discount		400		
Bad Debts Expense	600			
Delivery Expense	1420			
Insurance Expense	415			
Miscellaneous Expense	600			
Payroll Tax Expense	270			

(Continued)

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	Income Statement		Balance Sheet	
	Dr.	Cr.	Dr.	Cr.
Rent Expense	1800			
Salary Expense	3680			
Supplies Expense	250			
Interest Income		10		
Depreciation Expense-Equip.	100			
	67535	81395	43363	29503
Net Income	13860			13860
	81395	81395	43363	43363

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ADJUSTING ENTRIES OF A PARTNERSHIP

Wrye and Stamps
Work Sheet
For Month Ended March 31, 19--

	Acct. No.	Trial Balance		Adjustments	
		Dr.	Cr.	Dr.	Cr.
Cash	11	10,645			
Notes Receivable	12	325			
Accounts Receivable	13	4,600			
Allowance for Bad Debts	13.1		100		
Prepaid Insurance	14	150			
Supplies	15	50			
Office Equipment	16	4,500			
Accumulated Deprec.-Equipment	16.1		500		
Supplies Expense	51				
Depreciation Exp.-Equipment	52				
Insurance Expense	53				
Bad Debt Expense	54				

Directions: 1. Complete the adjustment columns of the above partial work sheet. The following additional data is needed:

Allowance for bad debts is to be increased $25.00, prepaid insurance is valued at $100.00, supplies are valued at $40.00, and depreciation expense for the period is $500.00.

2. Record the Adjusting Entries in the general journal.

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Wrye and Stamps
Work Sheet
For Month Ended March 31, 19--

	Acct. No.	Income Statement Dr.	Income Statement Cr.
Fee Income	41		2,000
Supplies Expense	51	10	
Depreciation Exp.-Equipment	52	500	
Insurance Expense	53	50	
Bad Debts Expense	54	25	
Advertising Expense	55	100	
Electricity Expense	56	50	
		735	2,000
Net Income		1,265	
		2,000	2,000

Directions: 1. Record the closing entries in a two-column general journal from the information provided by the above partial work sheet.

2. Articles of Copartnership read as follows: Each partner is to share equally in the net income or net loss of the business. Record the closing entries.

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CLASSIFICATION OF ACCOUNTS (KEY)

1.	62	11.	51.1
2.	21	12.	41
3.	11.1	13.	31
4.	81	14.	21
5.	51	15.	41.1
6.	11	16.	11
7.	31	17.	71
8.	12.1	18.	11
9.	31	19.	21
10.	62	20.	62

FUNDAMENTALS OF A PARTNERSHIP (KEY)

1.	F	6.	T	11.	T	16.	T	21.	T
2.	T	7.	T	12.	F	17.	T	22.	F
3.	T	8.	T	13.	F	18.	F	23.	F
4.	T	9.	T	14.	T	19.	T	24.	T
5.	F	10.	F	15.	T	20.	T	25.	T

CASE STUDY (KEY)

1. Duties and responsibilities
2. Sharing of net income and losses
3. Withdrawals of profits or investments
4. Length of time
5. Provisions for dissolution
6. Investment of each partner
7. Equity in partnership property

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KEY FOR RECORDING TRANSACTIONS FOR A PARTNERSHIP WHEN ADMITTING A NEW PARTNER

Transaction No.	Account Title	Dr.	Cr.
1	E. L. Smith, Capital	5000.00	
	J. R. Jones, Capital	5000.00	
	H. A. Edwards, Capital		10000.00
2	Cash	9000.00	
	E. L. Smith, Capital	2000.00	
	J. R. Jones, Capital	2000.00	
	H. A. Edwards, Capital		13000.00
3	Cash	16000.00	
	Goodwill	2000.00	
	E. L. Smith, Capital		1000.00
	J. R. Jones, Capital		1000.00
	H. A. Edwards, Capital		16000.00

KEY FOR THE FORMATION OF A PARTNERSHIP

Date	Account Title	PR	Dr.	Cr.
	Cash		1500.00	
	Notes Receivable		375.00	
	Accounts Receivable		4000.00	
	Prepaid Insurance		150.00	
	Supplies		50.00	
	Office Equipment		4500.00	
	Allowance for Bad Debts			100.00
	Accum. Depr.-Equip.			500.00
	Notes Payable			480.00
	Accounts Payable			350.00
	James, Reed, Capital			9145.00
	Cash		9145.00	
	Harvey Smith, Capital			9145.00

Current date should be included in the date column.

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KEY FOR THE DISTRIBUTION OF A PARTNERSHIP'S NET INCOME OR LOSS

	Date	Account Title	PR	Dr.	Cr.
I.					
	A.	Income and Expense Summary		10000.00	
		Romano, Capital			7500.00
		Davis, Capital			2500.00
	B.	Romano, Capital		3000.00	
		Davis, Capital		1000.00	
		Income and Expense Summary			4000.00
II.					
	A.	Income and Expense Summary		6000.00	
		Morin, Capital			2000.00
		Russell, Capital			4000.00
	B.	Morin, Capital		600.00	
		Russell, Capital		1200.00	
		Income and Expense Summary			1800.00
III.					
	A.	Income and Expense Summary		2400.00	
		Daher, Capital			1600.00
		Paige, Capital			800.00
	B.	Income and Expense Summary		7600.00	
		Daher, Capital			3800.00
		Paige, Capital			3800.00
	B.	Income and Expense Summary		2400.00	
		Daher, Capital			1600.00
		Paige, Capital			800.00
		Daher, Capital		200.00	
		Paige, Capital		200.00	
		Income and Expense Summary			400.00
IV.					
	A.	Income and Expense Summary		12600.00	
		Wrye, Capital			6600.00
		Stamps, Capital			6000.00
		Income and Expense Summary		2400.00	
		Wrye, Capital			1200.00
		Stamps, Capital			1200.00

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IV.

Date	Account Title	PR	Dr.	Cr.
E.	Income and Expense Summary		12600.00	
	Wrye, Capital			6600.00
	Stamps, Capital			6000.00
	Wrye, Capital		7000.00	
	Stamps, Capital		6400.00	
	Income and Expense Summary			13400.00

Daher-Paige
Distribution of Net Income Statement
For Year Ended December 31, 19--

III.

A.	Daher:		
	8% Interest on Capital	$1600.00	
	1/2 of Remaining Net Income	3800.00	
	Total Share of Net Income		$ 5400.00
	Paige:		
	8% Interest on Capital	800.00	
	1/2 of Remaining Net Income	3800.00	
	Total Share of Net Income		4600.00
	Net Income		$10000.00
B.	Daher:		
	8% Interest on Capital	$1600.00	
	1/2 of Remaining Net Loss	200.00	
	Total Share of Net Income		$1400.00
	Paige:		
	8% of Interest on Capital	800.00	
	1/2 of Remaining Net Loss	200.00	
	Total Share of Net Income		600.00
	Net Income		$2000.00

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Wrye-Stamps
Distribution of Net Income Statement
For Year Ended December 31, 19--

IV.

A.	Wrye:		
	Salary for Year	$6600.00	
	1/2 of Remaining Net Income	1200.00	
	Total Share of Net Income		$ 7800.00
	Stamps:		
	Salary for Year	$6000.00	
	1/2 of Remaining Net Income	1200.00	
	Total Share of Net Income		7200.00
	Net Income		$15000.00
B.	Wrye:		
	Salary for Year	$6600.00	
	1/2 of Net Loss	400.00	
	Total Share of Loss		$ 7000.00
	Stamps:		
	Salary for Year	$6000.00	
	1/2 of Net Loss	400.00	
	Total Share of Loss		6400.00
	Total Loss		$13400.00

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KEY FOR EXTENSIONS OF A WORK SHEET FOR A PARTNERSHIP

	ACCOUNT TITLE	Income Statement		Balance Sheet	
		Dr.	Cr.	Dr.	Cr.
1.	Allowance for Bad Debts				X
2.	Equipment			X	
3.	Sales		X		
4.	Supplies			X	
5.	Income and Expense Summary	X	X		
6.	Depreciation Expense-Equipment	X			
7.	Insurance Expense	X			
8.	FICA Taxes Payable				X
9.	Accum. Depreciation-Equipment				X
10.	R. L. Morris, Capital				X
11.	R. L. Morris, Drawing			X	
12.	Federal Unemployment Taxes Payable				X
13.	Miscellaneous Selling Expense	X			
14.	R. E. Foley, Capital				X
15.	R. E. Foley, Drawing			X	
16.	Merchandise Inventory			X	
17.	Prepaid Insurance			X	
18.	Property Tax Expense	X			
19.	Property Taxes Payable				X
20.	Sales Returns and Allowances	X			
21.	Gain on Fixed Assets		X		
22.	Cash			X	
23.	Purchases Returns and Allowances		X		
24.	Goodwill			X	
25.	Supplies Expense	X			
26.	Purchases	X			
27.	Purchases Discount		X		
28.	Sales Discount	X			
29.	Loss on Fixed Assets	X			
30.	Accounts Receivable			X	

Welsh-Cady
Income Statement
For Year Ended December 31, 19--

Sales			60000	
Less Sales Rets. and Allow.			400	
Net Sales				59600
Cost of Merchandise Sold:				
Merchandise Inventory, Jan. 1, 19--			17000	
Purchases		41000		
Less Pur. Ret. and Allow.	185			
Pur. Discount	400	585		
Net Purchases			40415	
Total Merchandise Avail. for Sale			57415	
Less Merchandise Inventory, Dec. 31, 197--			20800	
Cost of Merchandise Sold				36615
Gross Profit				22985
Expenses:				
Bad Debts Expense		600		
Delivery Expense		1420		
Insurance Expense		415		
Miscellaneous Expense		600		
Payroll Tax Expense		270		
Rent Expense		1800		
Salary Expense		3680		
Supplies Expense		250		
Depreciation Exp.--Equipment		100		
Total Expenses				9135
Net Income from Operations				13850
Other Income:				
Interest Income				10
Net Income				13860

Welsh-Cady
Capital Statement
For Year Ended December 31, 19--

T. C. Welsh:			
Capital January 1, 19--		15000	
Share of Net Income	8316		
Less Withdrawals	360		
Net Increase in Capital		7956	
Present Capital Dec. 31, 19--			22956
R. J. Cady:			
Capital January 1, 19--		10000	
Share of Net Income	5544		
Less Withdrawals	120		
Net Increase in Capital		5424	
Present Capital Dec. 31, 19--			15424
Total Capital December 31, 19--			38380

Welsh-Cady
Balance Sheet
December 31, 19--

Assets			
Current Assets:			
Cash		14500	
Petty Cash		50	
Accounts Receivable	5000		
Less Allow. for Bad Debts	900	4100	
Merchandise Inventory		20800	
Supplies		50	
Prepaid Insurance		83	
Total Current Assets			39583
Fixed Assets:			
Equipment		2400	
Less Accum. Deprec.-Equipment		700	
Total Fixed Assets			1700
Total Assets			41283
Liabilities			
Current Liabilities:			
Notes Payable		1000	
Accounts Payable		1600	
Salaries Payable		80	
Employees Income Taxes Payable		120	
FICA Taxes Payable		65	
State Unemployment Taxes Payable		24	
Federal Unemployment Taxes Payable		14	
Total Current Liabilities			2903
Proprietorship			
T. C. Welsh, Capital		22956	
R. J. Cady, Capital		15424	
Total Proprietorship			38380
Total Liabilities and Proprietorship			41283

KEY TO ADJUSTING ENTRIES OF A PARTNERSHIP

	Adjustment	
	Dr.	Cr.
Allowance for Bad Debts		(a) 25.00
Prepaid Insurance		(b) 50.00
Supplies		(c) 10.00
Office Equipment		
Accum. Deprec.-Equipment		(d)500.00
Supplies Expense	(c) 10.00	
Depreciation Exp.-Equipment	(d)500.00	
Insurance Expense	(b) 50.00	
Bad Debts Expense	(a) 25.00	

General Journal

Account Title	Dr.	Cr.
Bad Debts Expense	25.00	
Allowance for Bad Debts		25.00
Insurance Expense	50.00	
Prepaid Insurance		50.00
Supplies Expense	10.00	
Supplies		10.00
Depreciation Expense-Equipment	500.00	
Accumulated Depreciation-Equipment		500.00

KEY TO CLOSING ENTRIES OF A PARTNERSHIP

General Journal

Account Title	Dr.	Cr.
Fees Income	2000.00	
Income and Expense Summary		2000.00
Income and Expense Summary	735.00	
Supplies Expense		10.00
Deprec. Expense-Equipment		500.00
Insurance Expense		50.00
Bad Debts Expense		25.00
Advertising Expense		100.00
Electricity Expense		50.00
Income and Expense Summary	1265.00	
Wrye, Capital		632.50
Stamps, Capital		632.50